

## Message Text

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64

ACTION AF-06

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05

SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 USIA-15

PRS-01 TAR-01 SIL-01 LAB-04 /108 W  
----- 110452

R 031353Z APR 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 8646

INFO AMEMBASSY COTONOU

AMEMBASSY NIAMEY

AMEMBASSY NDJAMENA

AMEMBASSY LOME

AMEMBASSY YAOUNDE

AMCONSUL DOUALA

AMCONSUL IBADAN

AMCONSUL KADUNA

UNCLAS LAGOS 03062

E.O. 11652 : NA

TAGS : ENRG, NI

SUBJ : OIL MARKETING AND REFINING DIFFICULTIES

REF : LAGOS 01248 NOTAL

1. DOMESTIC MARKETING OF PETROLEUM PRODUCTS IN NIGERIA IS STILL  
CHAOTIC DESPITE BEST EFFORTS OF THE SEVEN MARKETING COMPANIES AND  
SOME EMERGENCY ACTIONS BY GOVERNMENT. REFINERY (SHUT DOWN DURING  
FEBRUARY FOR SCHEDULED MAINTENANCE) HAS NOT YET RETURNED TO  
SUSTAINED LEVEL OF PRODUCTION, AND NEARLY 2,000 EMPTY TANK TRUCKS  
NOW WAITING IN PORT HARCOURT. UNTIL REFINERY GETS GOING, STOCKS  
THERE ARE VIRTUALLY ZERO, AND LARGE PORTIONS OF EASTERN AND NORTHERN  
NIGERIA CANNOT BE ADEQUATELY SUPPLIED. LAGOS AND WESTERN NIGERIA  
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STILL

SUFFERING (AND WILL SUFFER INDEFINITELY) FROM BOTTLENECK OF SINGLE

TANKER BERTH AT APAPA PORT. KEROSINE FOR HOUSEHOLD USE IN CHRONIC SHORTAGE, BUT OTHER PRODUCTS ALSO UNAVAILABLE FROM TIME TO TIME. PROBLEM COMPOUNDED IN INTERIOR BY TRANSPORT DELAYS, HOARDING, SMUGGLING, ILLEGAL SALES, ETC. NEWSPAPER REPORTS OF FIRES AND DEATHS CAUSED BY UNSAFE STORAGE IN HOUSES AND VEHICLES ARE INCREASINGLY COMMON.

2. COMAPANIES STILL BEING BLAMED FOR SITUATION, BUT PUBLIC AND PRESS INCREASINGLY AWARE OF MARKETING COMPLEXITIES, AND MINISTRY OF MINES AND POWER IS NOW THE MORE COMMON SCAPEGOAT. SINCE PROBLEM AFFECTS EVERYONE, GENERAL GOWON'S MARCH 29 SPEECH ON THE THIRD DEVELOPMENT PLAN (LAGOS 2947) EMPHASIZED REFINERY EXPANSION AND PRODUCT PIPELINES WHICH GOVERNMENT HOPES WILL BRING RELIEF IN LONG RUN, AND THIS PART OF HIS SPEECH CAPTURED THE HEADLINES OF NEXT DAY'S NEWSPAPERS.

3. MMP SIGNED CONTRACT APRIL 1 WITH A NORWEGIAN FIRM (DNO) FOR TWO SKID-MOUNTED REFINING UNITS TO BE INSTALLED IN MIDWEST STATE WITHIN A YEAR. EACH IS CAPABLE OF PROCESSING 5,000 BARRELS PER DAY AND WILL BE MANUFACTURED IN HOUSTON BY DNO'S U.S. SUBSIDIARY (VAL VERDE). MINISTRY OFFICIALS ARE ALSO REPORTED TO HAVE BEEN SCOUTING NEARBY COUNTRIES FOR SURPLUS REFINING CAPACITY-- INCLUDING TOGO WHOSE REFINERY IS ONLY UNDER CONSTRUCTION.

4. FMG PURCHASE OF 60 PER CENT INTEREST IN SHELL MARKETING COMPANY BECAME EFFECTIVE APRIL 1, AND SHELL SIGNS ARE NOW BEING EXCHANGED FOR THE RED AND WHITE EMBLEM OF THE NATIONAL OIL MARKETING COMPANY (NOMCO). REMAINING FOREIGN-OWNED MARKETING COMPANIES ARE UNCERTAIN EFFECT GOVERNMENT ENTRY INTO MAKETING BUSINESS WILL HAVE ON THEM. THE IMMEDIATE PROBLEM IS THE INCREASING VOLUME OF IMPORTED PRODUCTS WHICH, IN ONE OR MORE CASES, HAVE ALREADY CAUSED THE AVERAGE COST OF PRODUCTS TO EXCEED THE GOVERNMENT-REGULATED PUMP PRICE. ALL COMPANIES (INCLUDING SHELL) RECENTLY PETITIONED THE GOVERNMENT FOR RELIEF, BUT PUMP PRICES HAVE NOT BEEN RAISED (DESPITE THE POSSIBILITY OF DOING SO WHILE ALMOST ALL SALARIES WERE BEING RAISED AS A RESULT OF UDOJI) AND THE DOLS.21 PER US GALLON IMPORT DUTY HAS NOT BEEN LOWERED (DESPITE A GENERAL TARIFF REVISION ON APRIL 1).

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## Message Attributes

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